



Judicial Council of California

Administrative Office of the Courts

Trial Court Financial Policies and Procedures

Procedure No.
Page

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INDIRECT COST RATE PROPOSAL

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Indirect Cost Rate Proposal

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2.0 Purpose

The purpose of this policy is to establish uniform guidelines for the trial court to use in developing an Indirect Cost Rate Proposal (ICRP). The ICRP provides a basis for billing other entities for an appropriate share of indirect costs.

3.0 Policy Statement

1. The trial court will prepare an ICRP annually. The trial court will follow the guidelines contained herein; except a trial court with a multiple rate method approved by a federal entity will be excluded from the guidelines contained in Section 6.3 (applicable to the simplified method only).

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2. The trial court will comply with federal and state guidelines in allocating and distributing costs.

4.0 Application

This policy applies to all trial courts, including their officers and employees developing an ICRP.

5.0 Definitions

The definitions provided below apply to this policy and are for the express purpose of interpreting this policy.

1. **Benefits.** Allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Benefits include, but are not limited to, employer-paid social security and medicare taxation, state disability insurance, health insurance, workers compensation, retirement, vision care, and unemployment insurance.
2. **ICRP.** The documentation prepared by the court to substantiate its request for establishing an indirect cost rate.
3. **Simplified Method.** A method used to calculate indirect cost rates whereby each major function of an entity benefits from its indirect costs to approximately the same degree.

6.0 Text

6.1 General Information

1. The full cost recovery of services includes all costs directly attributable to an activity, plus an appropriate share of indirect costs that can be attributed reasonably to the activity or service provided. Indirect costs, such as administrative expenses, benefit more than

one organizational unit (cost center), program, or project and therefore cannot be readily associated with a specific cost center, program, or project without effort disproportionate to the results achieved. Indirect costs are normally charged to other entities by the use of an indirect cost rate and will assist courts when they bill other entities for services.

2. A separate indirect cost rate is usually necessary for each court claiming indirect costs under federal government grant awards. Since capital expenditures are excluded by statute from costs that can be recovered in a comprehensive collection program, a separate indirect cost rate is required. Additionally, the federal government may request that a separate rate be negotiated for specific programs.
3. Anyone who prepares, reviews, or approves indirect cost rates or who prepares billings for services rendered to private, local, state, or federal governments either directly or indirectly through other agencies should become familiar with the indirect cost rate proposal procedure. The information detailed in this procedure provides helpful information, including how to identify costs that can be included in the indirect cost rate and those that cannot.

6.2 Method and Basis for Developing the ICRP

1. Two basic methods are used to calculate indirect cost rates, either the simplified method or the multiple rate method. The procedures contained in Section 6.3 pertain to the simplified method. In this method, each major function of an entity benefits from its indirect costs to approximately the same degree.
2. An equitable base is required for the allocation of indirect costs. Most ICRP's are developed using the salaries/wages and benefits, as these costs are usually easier to identify and they account for the largest percentage of an entity's budget. To establish a standard

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statewide basis, the courts will use salaries/wages and benefits as the basis for allocating indirect costs and developing an ICRP for each fiscal year.

3. The type of rate the courts will develop for the ICRP is a fixed rate with a carry-forward adjustment. Initially, the fixed rate is based on the court's budget. Based on the Trial Court ICRP preparation timeline, there will be no carry-forward adjustment in the first or second fiscal years. In the third fiscal year, the actual costs for the first year will be available. Calculate the carry-forward adjustment by comparing the budgeted first fiscal year indirect and direct figures to the actual costs for that year. The difference between the budgeted and actual amounts will result in the carry-forward adjustment. This adjustment could be either an increase or a decrease and must be included in the ICRP calculation for the third fiscal year. Each year thereafter, as the actual figures become available, compare them to the budgeted amounts and include the carry-forward adjustment on the ICRP Calculation Form. Refer to Comparison of Budget to Actual Costs, provided in Section 7.0, Associated Documents, for information and assistance regarding the carry-forward adjustment.

6.2.1 Court Indirect Costs

1. Court indirect costs include such items as executive, administration, legal, accounting, information technology, and outside entities providing similar services. In general, indirect costs include:
 - a. Costs of budgeted salaries/wages and benefits of court administrative, supervisory, and executive staff;
 - b. Costs of budgeted salaries/wages and benefits of support units, including accounting, business services, human resources, internal audit, legal, information technology, clerical support, etc.; and

- c. Costs of operating expenses and equipment associated with the court administrative, supervisory, executive, and support unit staff. These costs will include, but are not limited to, costs for services provided by an outside entity, including county costs, for handling the court's payroll, accounting, information technology, etc.

2. Characteristics of indirect costs include:

- a. Costs that benefit more than one cost center, program, or project;
- b. Costs that are not cost effective either to identify or to allocate to a specific direct cost center, program, or project;
- c. Costs that are necessary and reasonable for efficient administration;
- d. Costs that are authorized and not prohibited by federal, state, or local laws or regulations;
- e. Costs that are in conformity with any limitations or exclusions required by regulations, policy, or grant terms; and
- f. Costs that are consistent with policies, regulations, and procedures that apply equally to both federal and nonfederal activities.

6.3 How to Prepare an ICRP

The following information provides a brief overview for developing an indirect cost rate utilizing the simplified method and explains, in general terms, how to prepare an ICRP.

6.3.1 Preliminary Steps in the Preparation of an ICRP

1. Budgeted costs included in the ICRP must ultimately be reconciled with the court's official budgeting/accounting records. The reconciliation process requires the use of detailed

budgeting/accounting records such as the Schedule 1, Schedule 7A Salaries and Wages, and Financial Report, or similar budget and expenditure documents. The information in these statements should provide the necessary information to determine that costs have been properly classified as either direct or indirect.

2. Whenever possible, budgeted costs should be directly allocated to a specific cost center, program, or project. No universal rule provides for classifying certain costs as either direct or indirect under every budgeting/accounting system. Similar costs must be treated in the same manner across the cost centers, programs, and projects. For example, travel costs should be charged to the benefiting cost centers, programs, or projects in the same manner court-wide. Specific costs such as storage rent or telecommunications should be directly allocated to all benefiting cost centers, programs, and projects, as well as to indirect units, if applicable. For example, telephone line charges should be allocated across all cost centers (direct and indirect) on a reasonable basis such as number of employees. It is important to be consistent. (Note: An entity may require a separate rate for a particular program or project.)
3. Once the reconciliation is complete, a careful examination of budgeted costs is necessary to ensure that all appropriate costs are included in the ICRP and are properly classified as either direct or indirect costs. As part of this examination, the court will identify and document:
 - a. Unallowable costs
 - b. Not allocable costs
4. To assist the court in determining whether a cost is not allocable, review the typical characteristics of allocable costs as stated below:

- a. A cost is allocable to each cost objective receiving an appropriate share of the benefits (goods or services) for which the cost was incurred;
- b. Costs allocable to a particular program should not be charged to other program(s), to make up for funding deficiencies, to avoid restrictions imposed by law or terms of a contract or award, or for other reasons; and
- c. Costs must be allocable to and not specifically prohibited or restricted by the contract, award, or grant for the private, local, state, or federal entity.

Note: Unallowable costs will be identified and adjusted on the ICRP Calculation Form. Not allocable costs (for example, a cost classified as indirect that should be a direct charge) will be identified, and deducted from the indirect costs on the ICRP Calculation Form. In addition, if the not allocable costs pertain to salaries/wages and benefits, the costs will be added to the direct costs on the ICRP Calculation Form. This will ensure that the costs are properly reflected in the calculation.

5. The manner in which costs are charged to and reimbursed by the federal government is governed by regulations published by the federal Office of Management and Budget (OMB), specifically in OMB Circular A-87. The objective of that circular is to provide specific and consistent principles and standards for determining costs of federal awards carried out through grants, cost reimbursement contracts, and other agreements with governmental agencies. The circular may be obtained online at www.whitehouse.gov/omb/circulars, then click on OMB Circular A-87. You will have a choice of reviewing an HTML or PDF file. Expenses must be identified as either allowable or unallowable. Refer to Allowable and Unallowable Costs for Consideration in the Development of an ICRP, for some factors that will assist in

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identifying allowable and unallowable costs associated with the ICRP.

6.3.2 Steps in the Preparation of the ICRP Calculation Form

1. Each fiscal year the following indirect costs are posted in Section I of the ICRP Calculation Form:
 - a. Courts post the total budgeted indirect costs (salaries/wages, benefits, and operating expenses and equipment for indirect cost centers, programs, and projects for all funding sources) on the ICRP Calculation Form;
 - b. Deduct unallowable and not allocable budgeted indirect costs, such as equipment; late fees, capital expenditures, etc. (detail each one). Equipment is defined as having a useful life of at least one year and a unit acquisition cost of at least \$5,000. Courts use Major Equipment-Non-EDP and Major Equipment-EDP objects of expenditure to record equipment costing at least \$5,000 for indirect cost centers, programs, or projects. The indirect equipment costs are not allowed at the full rate; instead, an equipment allowance at a depreciated rate of 6.67 percent is allowed;
 - c. Add the 6.67 percent equipment allowance (formula driven), except for the comprehensive collection program ICRP; and
 - d. Courts post the indirect cost carry-forward increase or decrease (beginning with the third fiscal year and thereafter).
 - e. Section I—Total Allowable Indirect Costs. This line contains a formula capturing the total budgeted indirect costs, deducting the unallowable/not allocable costs, and adding the equipment use allowance.

2. The following costs are posted in Section II of the ICRP Calculation Form:

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- a. Courts post the total budgeted salaries/wages and benefits (direct and indirect cost centers, programs, and projects for all funding sources) on the ICRP Calculation Form;
 - b. Deduct the total budgeted indirect salaries/wages and benefits; and
 - c. Add any indirect salaries/wages and benefits that should be charged directly to a cost center, program, or project.
 - d. Section II—This line is the Total Direct Salaries/Wages and Benefits.
3. The indirect cost rate is a formula and is automatically calculated in Section III of the ICRP Calculation Form as follows:
 - a. Section I—Total Allowable Indirect Costs divided by Section II—Total Direct Salaries/Wages and Benefits.
 - b. The above formula will provide the courts with the indirect cost rate, expressed as a percentage.

6.4 Application of the Indirect Cost Rate

When the court bills any entity (private, local, state, or federal), the applicable indirect cost rate percentage in effect is applied to the direct salaries/wages and benefits listed in the billing, unless the contract, award, or grant prohibits, restricts or “caps” the dollar amount of indirect costs charged. Each billing will include:

- a. Direct cost center, program, or project charges for salaries/wages and benefits;
- b. Direct cost center, program, or project charges for operating expenses and equipment; and
- c. Indirect costs (based on the percentage of salaries/wages and benefits charged to direct cost centers, programs, and projects).

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6.5 Documentation Requirements

1. An ICRP's documentation includes the rate proposed, organization charts, cost schedules, financial data, and other supporting documentation detailing the court's indirect cost distribution method to its cost centers, programs, and projects. The ICRP must be reviewed and approved by the court executive officer or designee and Administrative Office of the Courts' (AOC) regional budget analyst. Refer to the Indirect Cost Rate Checklist Form for additional information and assistance regarding ICRP documentation requirements. If a court is seeking reimbursement directly from the federal government, the ICRP will be submitted to the court's primary federal agency for review, negotiation (where appropriate), and approval after the internal approvals as stated above have been acquired. In this instance, a form entitled Certificate of Indirect Costs is required and must accompany the ICRP. Depending on the circumstances, the federal government may also require additional data.
2. An ICRP that is developed for review and approval by the federal government may be more restrictive than one developed to recover indirect costs for an activity or service provided to a nonfederal entity. If that proves to be the case, it may be necessary to develop a separate ICRP for a specific federal program.

6.6 Responsibilities

The following information highlights the responsibilities of the court, the AOC, and the primary federal, state, or other entity.

6.6.1 Court

Annually, as soon as practical after the fiscal year budget is finalized and reconciled, the court is responsible for preparing the ICRP. In addition, the court is responsible for complying with federal and state guidelines in allocating and distributing costs, as well as with the guidelines contained within this procedure. The court is responsible for sending each of its ICRP's and supporting documentation to their AOC regional budget analyst for review and approval, regardless of the method used to calculate the indirect cost rate. The ICRP documentation is subject to audit and must be retained by the court in accordance with the record retention requirements as detailed in section 6.8.

6.6.2 AOC

The court's regional budget analyst is responsible for reviewing and approving each of the court's ICRP's and supporting documentation as submitted on behalf of the AOC. An approved copy will be returned to the court within 30 days of receipt. The regional budget analyst may contact the court for additional information, if necessary. The AOC will also assist the court by providing clarifying information regarding the ICRP process.

6.6.3 Private, Local, State, or Federal Entity

A contract, award, or grant with a private, local, state, or federal entity may prohibit, restrict or "cap" the dollar amount of indirect costs. Typically, a separate ICRP is not required in these instances, excluding ICRP requirements related to the federal government. In most cases, the primary federal agency is the federal entity that provides the largest federal award to the court. The primary federal agency is known as the cognizant federal agency; it is responsible for reviewing, negotiating, and approving the ICRP on behalf of all other

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federal agencies. A federal agency may, however, require a separate, indirect rate for specific programs.

6.7 Indirect Cost Rate Implementation

To achieve full cost recovery, each court will apply the applicable indirect cost rate in effect at the time the billing is prepared to the total salaries/wages and benefits of direct cost centers, programs, and projects, unless an indirect cost rate exception is in effect for the entity being billed (as may be the case with the federal government). Occasionally, a court may receive an award from the federal government that covers a period extending beyond the date of a single fiscal year's approved indirect cost rate. This is likely when the award period does not correspond to the fiscal year of the court. In such a case, the ICRP rate(s) may require negotiation with the federal agency. This may result in multiple indirect cost rates' being applied to billings in a given fiscal year.

6.8 Record Retention

Generally, records must be retained for three years from the submission date of the final financial report for that funding period. However, if any litigation, claim, negotiation, audit, or other action involving the records has been initiated before the three-year retention period has expired, the records must be retained until the action is completed and all issues arising from it have been resolved.

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7.0 Associated Documents

Indirect Costs Rate Checklist Form

ICRP Calculation Form

Sample Budget Report

Sample ICRP Calculation Form

Comparison of Budget to Actual Costs

Sample Comparison of Budget to Actual Costs

Sample ICRP Calculation Form (with carry-forward adjustment)

Certificate of Indirect Costs

**Allowable and Unallowable Costs for Consideration in the
Development of an ICRP**

Trial Court ICRP Preparation Timeline

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INDIRECT COSTS RATE CHECKLIST FORM

	Applicable Fiscal Year:	Date Submitted:		
1.	Court Name:	Phone:		
2.	Contact Person:			
3.	E-mail address:			
	Check the appropriate box	Yes	No	N/A
4.	Is the organization chart attached?			
5.	Is the supporting data for costs attached?			
	Are the official records or reports attached?			
	Is a copy of the approved budget attached?			
	Is other cost data attached?			
6.	Are all costs reconciled with support data?			
	Are all schedules cross-referenced to supporting documentation, schedules, and financial data?			
	Is the ICRP template reviewed and approved by the CEO or designee?			
	Has the prior-year ICRP been reviewed and compared to current year, to determine accuracy and consistency?			
7.	Does the ICRP identify indirect expenses by function and cost category?			
8.	If applicable, is the carry-forward adjustment worksheets attached?			

In addition to the requirements listed above, the following are required for federal grants

9.	Is a description of major functions or activities attached? A listing of cost centers designated as direct and indirect will satisfy this requirement.			
10.	Is a list of federal contracts and grants attached? The list must include amounts, period of performance, and the indirect cost limitations or restrictions (if any) applicable to each.			
11.	Is the ICRP certification signed and attached?			

Explanations (attach additional pages, if necessary)

12.			
Reviewed by:		Date:	

ICRP CALCULATION FORM
INDIRECT COST RATE PROPOSAL
SUPERIOR COURT OF CALIFORNIA
COUNTY OF _____
FISCAL YEAR 200X/200X
FIXED RATE WITH CARRY-FORWARD

		Budget Report Reference
Section I		
Indirect Cost Centers, Programs, and Projects		
Salaries/Wages, Benefits and Operating Expenses & Equipment		
Deduct: Unallowable/Unallocable Budgeted Costs		
Equipment		
Add: Equipment Use Allowance	0	*
Add/Deduct: Carry-forward (FY XX-XX)	_____	**
Section I - Total Allowable Indirect Costs	\$ -	
SECTION II		
Direct Cost Centers, Programs, and Projects		
Total Salaries/Wages and Benefits (Direct and Indirect)		
Deduct: Indirect Salaries/Wages and Benefits		

Section II - Total Direct Salaries/Wages and Benefits	\$ -	
SECTION III		
FISCAL YEAR 200X/200X INDIRECT COST RATE		Rate
Section I - Total Allowable Indirect Costs	\$ -	=C40/C41
Section II - Total Direct Salaries/Wages and Benefits	\$ -	
For billing purposes, the indirect cost rate percentage is applied to direct salaries/wages and benefits only, unless the contract, award, or grant prohibits, restricts or "caps" the dollar amount of indirect costs charged.		

* Equipment allowance of 6.67% of indirect equipment objects of expenditure.

** The initial ICRP is based on budget dollars, and the carry-forward adjustment is actual costs vs. budget.

Approved by: _____ **Date:** _____

G/L Acct.	Description G/L Account	Executive Office	Fiscal Services	Human Resources	Information Technology	Business/ Facilities	Total Indirect Costs	ICRP Ref #
900301	SALARIES - PERM	168,700	94,000	88,500	53,300	100,825	505,325	
903301	TEMPORARY HELP	0	0	0	0	0	0	
908301	OVERTIME	0	1,000	0	0	0	1,000	
910301	SOCIAL SECURITY	10,459	5,828	5,487	3,305	6,251	31,330	
910302	MEDICARE TAX	2,446	1,363	1,283	773	1,462	7,327	
910401	DENTAL INSURANCE	800	1,765	1,200	1,370	400	5,535	
910501	HEALTH INSURANCE	7,570	13,620	12,175	7,565	3,790	44,720	
910601	RETIREMENT NON - JUDGE	38,040	8,660	16,870	4,900	10,620	79,090	
912501	STAT WORKERS COMP	5,000	3,100	2,900	1,700	3,400	16,100	
912701	DISABILITY INS - SDI	575	50	25	65	0	715	
913401	OTHER BENEFITS	3,000	3,000	3,850	2,000	2,000	13,850	
913501	LIFE INSURANCE	970	50	50	50	50	1,170	
913601	VISION CARE INS	125	250	250	125	125	875	
Subtotal Salaries/Wages & Benefits		237,685	132,686	132,590	75,153	128,923	707,037	C-1
920601	OFFICE SUPPLIES	3,500	2,000	7,600	1,500	2,000	16,600	
920701	FREIGHT FOR GOODS RECEIVED	200	500	100	0	100	900	
921501	ADVERTISING	0	0	2,900	0	0	2,900	
922301	LIBRARY - PRINTED	100	50	100	0	100	350	
922601	MIN OFF EQUI-NON EDP	10	850	0	100	0	960	
922602	MINOR EQUIP-EDP	10	50	500	500	0	1,060	
922603	MINOR FURNITURE	0	2,000	0	1,000	450	3,450	
923801	GEN. EXP NOT REP. ELSEWHERE		500				500	C-2
924401	OFFICE COPIER EXPENSE	0	0	0	0	50	50	
924501	PRINTING & STATIONERY	50	2,000	900	900	50	3,900	
925101	TELECOMMUNICATIONS	1,250	550	900	7,500	850	11,050	
925103	CELL PHONES/PAGERS	450	1,000	0	0	0	1,450	
928801	INSURANCE	5,250	40,000	0	0	50	45,300	
929201	IN-STATE TRAVEL EXP	1,600	850	1,000	1,000	1,000	5,450	
929203	RENTAL VEHICLES	550	50	550	550	550	2,250	
933101	TRAINING	1,000	0	500	500	500	2,500	
934201	RENT	0	0	0	0	1,920	1,920	
934504	PERIMETER SECURITY-CONTR.	25,642	14,288	13,452	8,102	15,325	76,809	
938401	GENERAL CONSULTANTS	6,200	0	600	27,825	0	34,625	
939001	COURT ORDER INVS SERV	0	0	40	0	0	40	
942901	COUNTY - OTHER SERV	110,025	0	0	0	0	110,025	
943201	EDP MAINTENANCE	0	0	0	70,370	0	70,370	
943501	EDP REPAIRS & SUPP	900	0	900	900	900	3,600	
943502	EDP SOFTWARE & LICENSING	0	0	0	53,975	0	53,975	
945301	MAJOR EQUIPMENT - NON-EDP	5,500	0	6,250	0	6,000	17,750	C-3
946601	MAJOR EQUIPMENT - EDP	0	5,010	0	5,596	0	10,606	C-4
Subtotal OE&E		162,237	69,698	36,292	180,318	29,845	478,390	
Total Salaries/Wages, Benefits & OE&E		399,922	202,384	168,882	255,471	158,768	1,185,427	C-5
A-2 - Unallowed expense for \$500 is for late fees and is reported in the Fiscal Services, GL 923801. A-3 and A-4 - Unallowed indirect cost center equipment expense. An equipment use allowance of 6.67% will be incorporated into the ICRP calculation.								

Civil Branch K Street	Civil Branch 3rd Street	Criminal	Court Services	Jury Services	Mediation	Collections	Traffic	Juvenile/ Drug	Grant Staff	Total Direct Costs	Total Indirect & Direct Costs	ICRP Ref. #
332,858	396,690	1,437,500	80,200	285,100	160,500	317,036	370,310	351,278	2,546	3,734,018	4,239,343	
0	0	0	0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	0	0	1,000	
20,637	24,595	89,125	4,972	17,676	9,951	19,656	22,959	21,779	158	231,509	262,839	
4,826	5,752	20,844	1,163	4,134	2,327	4,597	5,369	5,094	37	54,143	61,470	
5,326	6,347	23,000	1,283	4,562	2,568	5,073	5,925	5,620	158	59,861	65,396	
48,264	57,520	208,438	11,629	41,340	23,273	45,970	53,695	50,935	38	541,102	585,822	
42,606	50,776	184,000	10,266	36,493	20,544	40,581	47,400	44,964	33	477,661	556,751	
11,650	13,884	50,313	2,807	9,979	5,618	11,096	12,961	12,295	89	130,691	146,791	
333	397	1,438	80	285	161	317	370	351	3	3,734	4,449	
19,971	23,801	86,250	4,812	17,106	9,630	19,022	22,219	21,077	15	223,904	237,754	
11,650	13,884	50,313	2,807	9,979	5,618	11,096	12,961	12,295	9	130,610	131,780	
8,321	9,917	35,938	2,005	7,128	4,013	7,926	9,258	8,782	64	93,350	94,225	
506,443	603,564	2,187,156	122,024	433,780	244,201	482,370	563,427	534,469	3,149	5,680,584	6,387,621	C-6
1,331	1,587	5,750	321	1,140	642	1,268	1,481	1,405	2	14,928	31,528	
5,326	6,347	23,000	1,283	4,562	2,568	5,073	5,925	5,620	0	59,704	60,604	
399	476	1,725	96	342	193	380	444	422	0	4,478	7,378	
333	397	1,438	80	285	161	317	370	351	0	3,731	4,081	
21,636	25,785	93,438	5,213	18,532	10,433	20,607	24,070	22,833	0	242,546	243,506	
14,979	17,851	64,688	3,609	12,830	7,223	14,267	16,664	15,808	0	167,916	168,976	
7,989	9,521	34,500	1,925	6,842	3,852	7,609	8,887	8,431	0	89,555	93,005	
499	595	2,156	120	428	241	476	555	527	0	5,597	6,097	
26,629	31,735	115,000	6,416	22,808	12,840	25,363	29,625	28,102	2	298,520	298,570	
7,323	8,727	31,625	1,764	6,272	3,531	6,975	8,147	7,728	2	82,094	85,994	
32,620	38,876	140,875	7,860	27,940	15,729	31,070	36,290	34,425	4	365,688	376,738	
1,664	1,983	7,188	401	1,426	803	1,585	1,852	1,756	0	18,657	20,107	
21,822	26,007	94,243	5,258	18,691	10,522	20,785	24,278	23,030	0	244,635	289,935	
3,994	4,760	17,250	962	3,421	1,926	3,804	4,444	4,215	4	44,782	50,232	
5,991	7,140	25,875	1,444	5,132	2,889	5,707	6,666	6,323	0	67,166	69,416	
1,331	1,587	5,750	321	1,140	642	1,268	1,481	1,405	0	14,926	17,426	
366	436	1,581	88	314	177	349	407	386	4	4,109	6,029	
49,919	59,492	215,582	12,028	42,756	24,070	47,546	55,535	52,681	0	559,609	636,418	
7,656	9,124	33,063	1,845	6,557	3,692	7,292	8,517	8,079	0	85,824	120,449	
1,165	1,388	5,031	281	998	562	1,110	1,296	1,229	0	13,060	13,100	
266	317	1,150	64	228	128	254	296	281	0	2,985	113,010	
233	278	1,006	56	200	112	222	259	246	0	2,612	72,982	
186	222	805	45	160	90	178	207	197	0	2,090	5,690	
533	635	2,300	128	456	257	507	592	562	0	5,970	59,945	
16,976	20,231	73,313	4,090	14,540	8,186	16,169	18,886	17,915	0	190,305	208,055	
23,300	27,768	100,625	5,614	19,957	11,235	22,193	25,922	24,589	0	261,203	271,809	
254,467	303,266	1,098,954	61,312	217,956	122,701	242,371	283,098	268,549	18	2,852,691	3,331,081	
760,910	906,829	3,286,111	183,336	651,736	366,901	724,741	846,525	803,018	3,167	8,533,275	9,718,702	

SAMPLE ICRP CALCULATION FORM INDIRECT COST RATE PROPOSAL SUPERIOR COURT OF CALIFORNIA COUNTY of _____ FISCAL YEAR 2006/2007 FIXED RATE with CARRY - FORWARD		
Section I Indirect Cost Centers, Programs, and Projects Salaries/Wages, Benefits and Operating Expenses & Equipment 1,185,427 Deduct: Unallowable/Unallocable Budgeted Costs Equipment 28,356 Fines and Penalties 500 Add: Equipment Use Allowance 1,891 Add/Deduct: Carry-forward (FY 20XX-20XX)		Sample Budget Report Reference C-5 C-3, C-4 C-2 * **
Section I - Total Allowable Indirect Costs	\$ 1,158,463	
SECTION II Direct Cost Centers, Programs, and Projects Total Salaries/Wages and Benefits (Direct and Indirect) 6,387,621 Deduct: Indirect Salaries/Wages and Benefits 707,037		
Section II - Total Direct Salaries/Wages and Benefits	\$ 5,680,584	
SECTION III FISCAL YEAR 2006/2007 INDIRECT COST RATE		
Section I - Total Allowable Indirect Costs	\$ 1,158,463	Rate 20.39%
Section II - Total Direct Salaries/Wages and Benefits	\$ 5,680,584	
For billing purposes, the indirect cost rate percentage is applied to direct salaries/wages and benefits only, unless the contract, award, or grant prohibits, restricts or "caps" the dollar amount of indirect costs charged.		
Equipment allowance of 6.67% of indirect equipment objects of expenditure. The initial ICRP is based on budget dollars there will be a carry-forward adjustment. Date: _____		

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COMPARISON OF BUDGET TO ACTUAL COSTS
FY 200X/200X
FOR THE FY 200X/200X ICRP CARRY-FORWARD ADJUSTMENT

DESCRIPTION	BUDGET FY 200X/200X	ACTUAL COSTS FY 200X/200X	DIFFERENCE	REFERENCE DOCUMENT
Section I				
Indirect Cost Centers, Programs, and Projects				
Salaries/Wages, Benefits and Operating Expenses & Equipment			0	
Deduct: Unallowable/Unallocable Budgeted Costs				
Equipment			0	
Fines and Penalties			0	
Add: Equipment Use Allowance			0	
Section I - Total Allowable Indirect Costs		0	0	
SECTION II				
Direct Cost Centers, Programs, and Projects				
Total Salaries/Wages and Benefits (Direct and Indirect)			0	
Deduct: Indirect Salaries/Wages and Benefits			0	
Section II - Total Direct Salaries/Wages and Benefits	0	0	0	
SECTION III				
200X/200X FISCAL YEAR INDIRECT COST RATE				
Section I - Total Allowable Indirect Costs	0		0	
Section II - Total Direct Salaries/Wages and Benefits	0		0	
Fixed Rate	=B30/B31	=C30/C31	=B32-C32	
Indirect Cost Recovery for Fiscal Year 200X/200X				
Fixed Rate X Actual Base	=B32	0	=C35*B35	
Actual FY 200X/200X Indirect Cost Pool			0	
(Under) Over Recovery FY 200X/200X Carry-forward Adjustment			=D35-D36	

**SAMPLE COMPARISON OF BUDGET TO ACTUAL COSTS
FOR CARRY-FORWARD ADJUSTMENT TO 2008/2009 ICRP**

DESCRIPTION	BUDGET FY 2006/2007	ACTUAL COSTS FY 2006/2007	DIFFERENCE	REFERENCE DOCUMENT
Section I				
Indirect Cost Centers, Programs, and Projects				
Salaries/Wages, Benefits and Operating Expenses & Equipment	1,185,427	1,023,654	161,773	
Deduct: Unallowable/Unallocable Budgeted Costs				
Equipment	28,356	29,653	-1,297	
Fines and Penalties	500	456	44	
Add: Equipment Use Allowance	1,891	1,978	-87	
Section I - Total Allowable Indirect Costs	1,158,463	995,523	162,940	
SECTION II				
Direct Cost Centers, Programs, and Projects				
Total Salaries/Wages and Benefits (Direct and Indirect)	6,387,621	5,982,654	404,967	
Deduct: Indirect Salaries/Wages and Benefits	707,037	698,234	8,803	
Section II - Total Direct Salaries/Wages and Benefits	5,680,584	5,284,420	396,164	
SECTION III				
2006/2007 FISCAL YEAR INDIRECT COST RATE				
Section I - Total Allowable Indirect Costs	1,158,463	995,523	162,940	
Section II - Total Direct Salaries/Wages and Benefits	5,680,584	5,284,420	396,164	
Fixed Rate	20.39%	18.84%	1.55%	
Indirect Cost Recovery for Fiscal Year 2006/2007				
Fixed Rate X Actual Base	20.39%	5,284,420	1,077,672	
Actual FY 2006/2007 Indirect Cost Pool			995,523	
(Under) Over Recovery FY 2006-2007 Carry-forward Adjustment			82,149	F-1

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SAMPLE
ICRP CALCULATION FORM
INDIRECT COST RATE PROPOSAL
SUPERIOR COURT OF CALIFORNIA, COUNTY OF _____
FISCAL YEAR 2008/2009
FIXED RATE WITH CARRY-FORWARD ADJUSTMENT

		Sample Budget Report Reference
Section I		
Indirect Cost Centers, Programs, and Projects		
Salaries/Wages, Benefits and Operating Expenses & Equipment	1,698,567	
Deduct: Unallowable/Unallocable Budgeted Costs		
Equipment	35,159	
Fines and Penalties	500	
Add: Equipment Use Allowance	2,345	*
Add/Deduct: Carry-forward (FY 2006-07)	-82,149	**
Section I - Total Allowable Indirect Costs	\$ 1,583,104	
SECTION II		
Direct Cost Centers, Programs, and Projects		
Total Salaries/Wages and Benefits (Direct and Indirect)	8,357,159	
Deduct: Indirect Salaries/Wages and Benefits	789,321	
Section II - Total Direct Salaries/Wages and Benefits	\$ 7,567,838	
SECTION III		
FISCAL YEAR 2008/2009 INDIRECT COST RATE		Rate
Section I - Total Allowable Indirect Costs	\$ 1,583,104	Rate
Section II - Total Direct Salaries/Wages and Benefits	\$ 7,567,838	20.92%
For billing purposes, the indirect cost rate percentage is applied to direct salaries/wages and benefits only, unless the contract, award, or grant prohibits, restricts or "caps" the dollar amount of indirect costs charged.		

* Equipment allowance of 6.67% of indirect equipment objects of expenditure.

** The initial ICRP is based on budget dollars, and this is an adjustment for actual costs vs. budget. See Attachment F, Sample Comparison of 2006/2007 actual costs vs. budget, reference F-1.

Approved by: _____ **Date:** _____

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CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal (identify date) to establish cost allocations or billings for (identify fiscal year) are allowable in accordance with the requirements of the Federal awards to which they apply and OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently, and the Federal government will be notified of any accounting changes that would affect the rate.

I declare that the foregoing is true and correct.

Court Executive Officer or Designee

Superior Court of California
County of _____

Date: _____

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Allowable and Unallowable Costs for Consideration in the Development of an ICRP

Expenses must be identified as either allowable or unallowable. Most expenditures are allowable; the court will need to specifically track the unallowable costs. Listed below are some of the factors considered in determining allowable or unallowable costs.

Allowable Cost Principles

- Necessary and reasonable for the efficient administration of the private, local, state, or federal government contract, award, or grant.
- Allocable to the private, local, state, or federal contract, award, or grant.
- Authorized and not prohibited by applicable laws and regulations.
- In conformity with any limitations or exclusions required by private, local, state, or federal law, regulations, policy and terms of contract, award, or grant.
- Consistent with policies, regulations, and procedures. In addition, costs must be applied equally to federal and nonfederal activities.
- Treated consistently. For example, a cost must not be charged as a direct cost to a private, local, state, or federal program if a similar cost incurred for the same purpose is allocated to a private, local, state, or federal program as an indirect cost. Another example is final payout costs for staff that have terminated employment. Final payout costs should not be directly charged but should be included in the indirect costs category. Otherwise, all staff's termination costs would require that their time be directly charged to all programs that they worked on during their employment at the court.
- In conformity with generally accepted accounting principles, unless alternative treatment is allowed or approved in private, local, state, or federal law, regulation, policy, or other specific approval document.
- Net of all applicable credits. Receipts or credits must reduce or offset allocable direct or indirect costs.
- Adequately documented.

Unallowable Costs

- Fines and Penalties—Except when (1) incurred as a result of compliance with specific private, local, state, or federal contract, award, or grant provisions or (2) when the court receives advance written approval from the private, local, state, or federal government to bill the entity for the cost.
- Entertainment—Costs associated with entertainment, social activities, sports events, shows, etc.

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- Fundraising—Costs of fundraising, financial campaigns, gift solicitations, and similar expenses regardless of the purpose for which the funds will be used.
- Contingencies—Contributions to a contingency reserve or a reserve for uncertainties.
- Legal Costs—Legal expenses incurred to prosecute claims against the private, local, state, or federal government (or for the defense of legal action brought by the private, local, state, or federal government).
- Lobbying—Costs incurred to influence obtaining contracts, awards, or grants.
- Personal amusement, social activities, or entertainment (outside of activities directly related to functions or purposes, including employee-employer relations, performance improvement, etc).
- Personal social or travel club dues.
- Parking permits for employees or students, unless specifically negotiated and included as a benefit in an approved bargaining union agreement.
- Traffic citations for either personal or court vehicles.
- Personal, noncourt-related services or purchases.
- Cost overruns in a private, local, state, or federal contract, award, or grant cannot be charged to another contract, award, or grant.
- Costs disallowed by court policy.
- Accrued leave balances, such as vacation, sick leave, bereavement leave, and holiday credits.

Costs With Restrictions

- Advertising and public relations are allowable as direct costs for recruitment, procurement, disposal of surplus materials, and any other specific purposes that directly pertain to the private, local, state, or federal contract, award, or grant.
- To provide public or press notification of private, local, state, or federal contracts, awards, or grants related financial matters, and specific activities or accomplishments of the federal program.
- Bad debts are restricted, unless specifically provided for in the contract, award, or grant.
- Cost of membership in civic, community, and social organizations as a direct cost, with the approval of the private, local, state, or federal government.
- Investment advice costs for pension, self-insurance, and other funds. Approval required for funds that include federal participation.
- Federal regulations restrict interest, unless an exception is received to finance previously approved costs to acquire, construct, or remodel buildings or equipment.
- Costs of preparing a federal grant proposal require prior approval of the primary federal agency.

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- Advertising and public relations designed solely to promote the court. Any other advertising and public relations costs not specifically approved are unallowable.
- Typically, conventions, meetings, or similar events related to other court activities that are not specifically approved. These include the cost of displays, demonstrations, exhibits, meeting rooms, hospitality suites, and other special facilities for shows and special events (including the salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings).
- Promotional items and memorabilia, including models, gifts, and souvenirs.

Specific Federal Cost Items

These principles apply whether a cost is treated as direct or indirect. Under the prescribed principles, costs are unallowable if they do *not* benefit federal programs or if they are:

- General government costs, such as elected officials.
- Specifically unapproved (or require approval that has not been secured).

Contrary to federal, state, or local law and policy.

Federal Allowability Determination of Selected Items

The following items are excerpts from the Office of Management and Budget (OMB) Circular A-87, Attachment B. The following selected cost items are allowable/unallowable as indicated:

Selected Items of Cost	Allowable/Unallowable	OMB Circular A-87 Reference
Advertising and Public Relations	Allowable with restrictions	Section 1
Advisory Councils	Allowable with restrictions	Section 2
Alcoholic Beverages	Unallowable	Section 3
Audit Services	Allowable with restrictions	Section 4
Bad Debts	Unallowable	Section 5
Bonding Costs	Allowable	Section 6
Communications	Allowable	Section 7
Compensation for Personal Services	Allowable with specific criteria to support salaries and wages, fringe benefits, pension plan costs, postretirement health benefits, severance pay, and donated services	Section 8 (paragraphs a. through l.)
Contingencies	Unallowable	Section 9
Defense/Prosecution (Criminal/Civil)	Allowable with restrictions	Section 10
Depreciation and Use Allowance	Allowable with restrictions	Section 11
Donations and contributions	Unallowable	Section 12
Employee Morale, Health, and Welfare Costs	Allowable with restrictions	Section 13
Entertainment	Unallowable	Section 14
Equipment and Capital Expenditures	Allowable as direct costs when approved	Section 15
Fines and Penalties	Unallowable (with exceptions)	Section 16
Fundraising Costs	Unallowable	Section 17
Gains and Losses on Disposition of Property	Accounting treatment prescribed	Section 18

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General Government Expenses	Unallowable	Section 19
Idle Facilities	Allowable with restrictions	Section 21
Insurance and Indemnification	Allowable with restrictions	Section 22
Interest and Investment Management Costs	Allowable with restrictions	Section 23
Lobbying	Unallowable	Section 24
Maintenance, Operations, and Repairs	Allowable	Section 25
Materials and Supplies	Allowable	Section 26
Memberships, Subscriptions, and Professional Activities	Allowable with restrictions	Section 28
Pre-Award Costs	Allowable with written approval	Section 31
Professional Services Costs	Allowable with restrictions	Section 32
Proposal Costs	Allowable with restrictions	Section 33
Publication and Printing Costs	Allowable	Section 34
Facilities Rearrangements, Alterations, and Reconversion Costs	Allowable with restrictions	Section 35 and 36
Rental Costs	Allowable with restrictions	Section 37
Taxes	Allowable with restrictions	Section 40
Training	Allowable for employee development	Section 42
Travel Costs	Allowable with restrictions	Section 43

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TRIAL COURT ICRP PREPARATION TIMELINE

<u>Activity</u>	<u>Carry-Forward Adjustment</u>	<u>When</u>
Prepare FY 06-07 ICRP	No adjustment for FY 06-07 ICRP	June-July 2006
Prepare FY 07-08 ICRP	No adjustment for FY 07-08 ICRP	June-July 2007
Prepare FY 08-09 ICRP	Adjust using actual data from 4th Qtr (final) accounting records FY 06-07	June-July 2008
Prepare FY 09-10 ICRP	Adjust using actual data from 4th Qtr (final) accounting records FY 07-08	June-July 2009
Prepare FY 10-11 ICRP	Adjust using actual data from 4th Qtr (final) accounting records FY 08-09	June-July 2010
Prepare FY 11-12 ICRP	Adjust using actual data from 4th Qtr (final) accounting records FY 09-10	June-July 2011